GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3369
ANSWERED ON:05.08.2016
Grants-in-Aid to States
Simha Shri Prathap

Will the Minister of FINANCE be pleased to state:

(a) the steps taken to mitigate the effect of higher share to States in tax revenue during 2015-16 and in the current fiscal year;
(b) whether the Government has been cutting back on essential transfers to States, made in the form of grants-in-aid and tax devolution and if so, the details thereof along with the reasons thereof;
(c) whether inspite of a transfer of 6.3 percent of GDP being budgeted, revised estimates pointed to a lower figure of 6.1 percent in 2015-16 and if so, the reaction of the Government thereto;
(d) whether the Government took away 8.1 percent of tax revenues in 2015-16 as against 6.1 percent in 2014-15 by way of surcharge and cess, which do not devolve to States and if so, the reasons therefor;
(e) whether as against the budgeted 2.9 percent grants-in-aid worked out to just 2.4 percent of GDP in 2015-16 and if so, the reasons therefor; and
(f) the measures taken by the Union Government to allow States greater autonomy in financing and designing schemes, as per the acceptance of the recommendations of 14th Finance Commission?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) In view of acceptance of the Fourteenth Finance Commission's recommendation of increasing States' share in Central Taxes and Duties to 42% from 32%, the Union Government has changed the funding pattern of Centrally Sponsored Schemes in accordance with the recommendation of the Sub-group of Chief Ministers constituted by NITI Aayog.

(b) No, Sir.

(c) No, Sir. The Union Government proposed resources to be transferred to States at 6.21% of Gross Domestic Product (GDP) in Budget Estimates 2015-16, which was subsequently increased to 6.42% of GDP in Revised Estimates 2015-16.

(d) During 2014-15, the collection on account of surcharges & cesses was 6.07% of Tax Revenue, which had increased at 8.10% of Tax Revenue in the Revised Estimates 2015-16. This enhancement is due to increase in surcharge on Corporation Tax / Income Tax and introduction of 'Swachh Bharat Cess' on Service Tax during 2015-16.

(e) No, Sir. The Grants-in-aid to States was estimated at 2.16% of Gross Domestic Product (GDP) in Budget Estimates 2015-16, which had increased to 2.31% of GDP in Revised Estimates 2015-16.

(f) The Fourteenth Finance Commission recommended enhancement in the share of the States in the divisible pool of Central Taxes and Duties from 32% to 42% with effect from 2015-16, which was accepted by the Union Government. This makes available greater untied resources to the State Governments, who can use it in accordance with the local needs.

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